

1 Q. DOES THE SGAT COMPLY WITH THE COMPETITIVE CHECKLIST
2 REQUIREMENTS CONCERNING RECIPROCAL COMPENSATION
3 (ITEM xiii)?

4 A. MCI witness Don Wood will provide detailed testimony on this issue.

5 As a general matter, the reciprocal compensation process agreed to in the SGAT is
6 not equitable, because the agreement does not provide for truly reciprocal
7 compensation with respect to the tandem interconnection rate for terminating local
8 traffic. The agreement permits BellSouth to bill CLECs for tandem switches used
9 to terminate calls from CLEC customers. The agreement does not, however,
10 permit CLECs to bill BellSouth for the use of a CLEC's switches (performing the
11 same functionality and geographic scope as BellSouth's tandems).

12 CLECs' local switches perform the same functions and provide the same services —
13 transport and termination — as do BellSouth's tandem switches. When a CLEC
14 interconnects with BellSouth's tandem and BellSouth interconnects with a CLEC's
15 switch, the function performed by each switch is to allow customers of each carrier
16 to call each other. That function is unaffected by the fact that BellSouth
17 accomplishes it by using a tandem switch, while the CLEC may use a different
18 network design or architecture.

1 The FCC has approved the use of symmetrical rates when new technologies
2 perform similar functions to those performed by the incumbent's tandem switch.
3 Thus, in its First Report and Order, the FCC mandated that "states shall also
4 consider whether new technologies (e.g., fiber ring or wireless networks) perform
5 functions similar to those performed by an incumbent LEC's tandem switch and
6 thus, whether some or all calls terminating on the new entrant's network should be
7 priced the same as the sum of transport and termination via the incumbent LEC's
8 tandem switch." First Report and Order, ¶ 1090. For example, MCI's state-of-
9 the-art network performs the same function (call termination) as BellSouth's
10 network without the need for a tandem switch. MCI and other CLECs should not
11 be penalized for introducing this efficient technology by having to pay
12 asymmetrical rates for transport and termination. The resulting penalty is a barrier
13 to entry.

14 The FCC has also indicated that a second factor in determining reciprocal
15 compensation concerns the geographical scope of the ILEC and CLEC switches.
16 See 47 C.F.R. § 51.711. In fact, MCI's local switches serve geographical regions
17 that are equivalent to those served by BellSouth's tandem switches, even though its
18 switches do not at present serve equivalent numbers of customers. Currently,
19 MCI's switches all serve areas at least equal in size if not greater than the serving
20 area of the incumbent's tandem. For example, in Atlanta, BellSouth uses two

1 access tandems and a minimum of three local tandems to serve the Atlanta local
2 calling area, while MCI uses just one switch. Therefore, MCI's one switch in
3 Atlanta serves an area greater than the service area of either of the BellSouth's
4 access tandems and greater than service area of the local tandems.

5 Accordingly, the reciprocal compensation arrangements in the SGAT are not in
6 fact reciprocal. Under the agreement, if BellSouth terminates a call to a CLEC,
7 the CLEC through its local switch would have the ability to carry that call to any
8 of its customers, even though it might not use a tandem. The function of
9 transporting and terminating the call, while accomplished differently, would be the
10 same. Yet, under the SGAT the CLEC would receive less compensation — not
11 because it performed a different function — but because it chose to use a more
12 efficient means of doing so. This approach is anticompetitive and contrary to the
13 requirement of symmetry. BellSouth's SGAT therefore does not comply with the
14 reciprocal compensation checklist item. As previously stated MCI witness Wood
15 can address this issue clearly.

16 **Q. DOES THE SGAT MEET THE CHECKLIST STANDARDS RELATING**
17 **TO RESALE?**

18 **A.** No. By its terms, BellSouth's SGAT is not in compliance with the resale
19 provisions of the competitive checklist. One of the SGAT's primary defects with

1 respect to resale concerns BellSouth's refusal to permit the resale of Contract
2 Service Arrangements ("CSAs") at a discount. See SGAT, art. XIV, ¶ B.1, p. 20.
3 The FCC's regulations do not allow BellSouth to restrict the resale of CSAs in this
4 fashion. The regulations permit only a few, narrowly defined restrictions on resale:
5 "Except as provided in § 51.613 of this part, an incumbent LEC shall not impose
6 restrictions on the resale by a requesting carrier of telecommunications services
7 offered by the incumbent LEC." 47 C.F.R. § 51.605(b). And section 51.613
8 contains no provisions permitting ILECs to restrict the resale of individual contract
9 basis arrangements such as CSAs. (It would be permissible, however, for
10 BellSouth to calculate a separate avoided cost for CSAs: In its First Order, the
11 FCC found that "[t]he avoidable costs for a service with volume-based discounts
12 . . . may be different than without volume contracts." FCC, First Report and
13 Order, ¶ 951 (Aug. 8, 1996).) Indeed, it would be highly anti-competitive for
14 BellSouth to refuse to permit the resale of CSAs, because CSAs are often targeted
15 at customers with the highest calling volumes. If resellers cannot resell CSAs,
16 BellSouth would be permitted to exempt a large category of the most desirable
17 customers from resale competition. BellSouth therefore cannot both refuse to
18 permit the resale of CSAs at a discount and claim to be in compliance with the
19 competitive checklist.

20 Another resale issue that the SGAT and the ROG raise is whether BellSouth will

1 allow the migration "as-is" of directory listings. New CLEC customers must have
2 the option to migrate their directory listings as-is from BellSouth to their new
3 carrier. Directory listing information is of enormous sensitivity to all customers
4 and has a substantial impact on business customers' livelihoods. Without this
5 option, CLECs and BellSouth may inadvertently make changes or introduce errors
6 to customers' directory listings. For full local competition to flourish, BellSouth
7 must make this option available to CLECs.

8 I am further troubled by the SGAT's procedures for discontinuing service to
9 resellers. Article XIV, paragraph R of the SGAT states that BellSouth can
10 discontinue service upon nonpayment but contains no procedures in the case of
11 either disputed bills or of challenges to tariffs. For example, BellSouth could cut
12 off all of a CLEC's service for selling a Centrex feature that BellSouth's tariff says
13 should go only to customers with a few more lines than those to whom the reseller
14 was selling.

15 Moreover, these procedures are not bolstered by BellSouth's ROG, which contains
16 inadequate reseller notification procedures. For example, there is no mention of
17 how BellSouth plans to notify resellers when their customers have migrated to
18 another carrier. BellSouth will need to develop speedy notification procedures so
19 that carriers may immediately adjust their billing systems to stop billing their

1 former customers. In addition, the notification of network changes (e.g., NPA
2 splits and central office conversions/freezes) that BellSouth intends to supply is
3 skimpy. BellSouth provides no indication of the timeframes or leadtimes that will
4 be provided or of penalties that BellSouth will pay if it fails to provide adequate
5 notification. Indeed, the SGAT provides CLECs no assurances that delays in
6 notification will not be used to always keep CLECs one step behind BellSouth.
7 BellSouth's sample notification letter itself provides inadequate notice: It is dated
8 April 18, 1996 and informs CLECs of a network change on May 13, 1996, less
9 than 30 days away. See ROG, p. 26. If the ROG serves as a model for
10 BellSouth's notification to resellers, CLECs will find it almost impossible to
11 compete for resale customers.

12 The SGAT also fails to specify properly the types of services that will be available
13 for resale. The SGAT ties the type of services that will be offered for resale with a
14 wholesale discount to those services listed in its tariffs. See SGAT, art. XIV, ¶ B,
15 p. 20. BellSouth's tariff does not make Centrex services available for resale as
16 grandfathered services. Yet both the Commission and the FCC have required that
17 such grandfathered services be available for resale. Order, Docket No. 6865-U,
18 p. 47; 48 C.F.R. § 51.615.

19 Finally, the SGAT appears to allow BellSouth to serve as judge, jury, and

1 executioner when it comes to claims of "slamming," or unauthorized transfers of
2 customers. The SGAT permits BellSouth to unilaterally assess a "Change Charge"
3 and provides no procedures for contesting slamming allegations made by
4 BellSouth. See SGAT, art. XIV, ¶ H, p. 22. Such unilateral determinations are
5 completely unsuited to the newly competitive environment in local telephone
6 services, in which BellSouth would have great temptations to assess slamming
7 penalties against its competitors. Even if particular slamming charges are justified,
8 such one-sided procedures create the appearance of impropriety. The Commission
9 should therefore require BellSouth to modify its slamming procedures to permit
10 challenges to accusations.

11 In summary, the resale provisions of the SGAT do not meet the checklist's
12 requirements. Most significantly, the SGAT does not allow the resale of CSAs. In
13 addition, the SGAT does not permit the migration "as-is" of customer accounts
14 and contains inadequate procedures to notify resellers of service terminations and
15 network changes, it does not provide for adequate notifications to resellers, fails to
16 identify the services available for resale, and contains no procedural safeguards
17 against unfounded slamming allegations. Accordingly, BellSouth's SGAT will
18 need significant retooling before it is competition-friendly.

19 Q. PLEASE SUMMARIZE YOUR REVIEW OF THE NON-NETWORK

1 **PROVISIONS OF THE BELLSOUTH SGAT.**

2 A. It is clear that the SGAT will need substantial revisions in a number of respects
3 before it can serve as a fair basis for local competition in Georgia. The SGAT is
4 competitively deficient with respect to access several of the non-network
5 provisions of the checklist, including access to structure; access to E911/911,
6 directory assistance, and operator call completion services; access to call-routing
7 and completion databases; number portability; and resale. Due to the insufficiency
8 of the SGAT's own terms, the Commission should not approve BellSouth's SGAT
9 under § 252(f) of the Act.

10 **UNFAIR COMPETITION**

11 Q. **BASED ON MCI'S PREVIOUS DEALINGS WITH BELLSOUTH, DO**
12 **YOU HAVE ANY CONCERNS ABOUT ITS ABILITY AND/OR**
13 **WILLINGNESS TO SUPPORT LOCAL COMPETITION IN GEORGIA?**

14 A. Yes. In addition to the unreadiness of BellSouth's OSS to support local
15 competition and the failure of BellSouth's SGAT to comply fully with the
16 competitive checklist, MCI's disappointing experiences with BellSouth in other
17 contexts lead me to believe that BellSouth is not able or willing to create a pro-
18 competitive environment in Georgia in the near future. Although I could discuss
19 many examples of BellSouth's failure to compete fairly, I will focus on three events

1 showing BellSouth's willing to take advantage of its monopoly position.

2 First, BellSouth recently settled a contract lawsuit filed by MCI in which the
3 federal district judge hearing the case noted that there was not even a "scintilla" of
4 evidence to support BellSouth's failure to perform the contract. The dispute arose
5 out of a contract that BellSouth and MCI signed in 1995. The contract provided
6 that BellSouth would lower access charges in Tennessee according to a specified
7 schedule if the Tennessee legislature authorized price cap regulation for BellSouth.
8 The legislature subsequently authorized price cap regulation, but BellSouth refused
9 to file for a tariff reduction, claiming that under the language of the contract, the
10 tariff filing was due only when BellSouth's price regulation plan went into effect,
11 which has not yet occurred. MCI then filed suit, and the court granted MCI's
12 motion for summary judgment, noting the unambiguous language of the contract
13 and the complete lack of evidence in support of BellSouth's position. This
14 experience is a good example of BellSouth's lack of trustworthiness. BellSouth
15 brazenly ignored the clear language of an agreement they had drafted. The federal
16 District Court for the Eastern District of Tennessee granted Summary Judgment in
17 favor of MCI.

18 Second, BellSouth has not competed fairly when implementing intraLATA
19 presubscription in Georgia, Florida, and Kentucky. MCI has filed complaints

1 against BellSouth's intraLATA practices in all three states; MCI's complaints have
2 been upheld in Florida and Kentucky; MCI's complaint in Georgia is scheduled to
3 be heard in March 1997. As found by the Florida Public Service Commission,
4 BellSouth's improper business practices have "unfairly favor[ed] its own
5 intraLATA toll service by marketing its service favorably versus other carriers."
6 BellSouth has also sought to dissuade customers who call to change their
7 intraLATA toll carrier. As the gatekeeper for intraLATA services, BellSouth has
8 an obligation to compete fairly. BellSouth's reluctance to act in a competitively
9 neutral manner on the issue of intraLATA presubscription provides a worrisome
10 indication of its willingness to permit real local competition.

11 Third, BellSouth sent MCI a notification in November 1996 that it was unilaterally
12 eliminating 10XXX access code information from its new directories. In addition
13 to promoting competition, this information was intended to provide consumers an
14 alternative in case their preselected intraLATA carrier was experiencing an outage.
15 This incident demonstrates that in the related area of intraLATA competition,
16 BellSouth is not willing to compete on a level playing field.

17 Fourth, BellSouth has repeatedly failed to implement OBF recommendations.
18 Requests from MCI in early 1993 for the implementation of OBF approved
19 Transaction Codes/Status Indicators (TCSIs) governing "Non-Jurisdictional Move

1 Indicators", Old Billed Telephone Numbers (OBTN) on all 20XX TCSIs and
2 "Billed Telephone Numbers (BTN) Required on Preferred Interexchange Carrier
3 (PIC) Orders where but a few that impacted MCI's customers. Non-jurisdictional
4 indicators, which were implemented by BellSouth in April of 1996, did away with
5 the antiquated process of "disconnect" followed by a new "Install". These
6 indicators relay to the IXC that their customer is moving and to hold the account,
7 in MCI's case for thirty days, to see if they reestablish their account with MCI. In
8 this case all of the features this customer enjoyed with MCI were awaiting them
9 when they completed their move. OBTN on all 20XX's requires BellSouth to
10 populate, on new customers moving into the region, the customers old telephone
11 number. While BellSouth has implemented this, less than 20% of all new customers
12 have this information populated in the CARE Record associated with the new
13 install even though BellSouth requires these customers to provide this information.
14 This feature, similar to the Non-jurisdictional indicator, allows MCI to capture the
15 original features that this customer had when they move to an entirely different
16 region. BTN Required on PIC Orders was a mandate by BellSouth to populate an
17 optional field on the PIC request. Customers, with more than one residential line
18 did not know which line was the BTN, and as this optional field was mandated by
19 BellSouth, an MCI Representative, on a two line order, had a fifty-fifty chance of
20 guessing which line was the BTN. Guessing wrong caused the order to reject and
21 the customer would be denied their carrier of choice until the order was

1 resubmitted with the proper BTN. This was finally implimented in March of 1995.
2 BellSouth's failure to impliment, in a timely manner, the above OBF
3 recommendations, greatly hampered MCI's ability to provide "Seamless Customer
4 Service" to our customers. Customers who have moved have enough to worry
5 about without the hassle of trying to remember their "Circle of friends" or discount
6 plans. The ability through CARE to "suspend" an account versus "Cancel" an
7 account meant a customer, if they choose to continue with MCI, would have all of
8 their features and services waiting for them once they installed their new service
9 and again selected MCI.

10 CARE transactions are not the only areas where BellSouth has failed to impliment
11 standards. The information digits, assigned by the North American Numbering
12 Plan Administrator - at Bell Communications Research Inc., "29" and "70" where
13 assigned in early 1994 to "prison and Inmate traffic" and Customer Owned and
14 Operated payphones have to this day not been implimented by BellSouth. While all
15 other ii digits assigned by BellCore in that timeframe and necessary for BellSouth
16 or it's affiliates traffic where. To be more specific ii "52" Outward Wide Area
17 Telecommunications Service (OUTWATS) for BellSouth Intralata customers and
18 ii's "61" and "62" for Cellular traffic. Selective implimentation of standards
19 appears to be a norm at BellSouth.

1 The implementation of the various standards organizations need to be done not on
2 a self serving basis, as BellSouth appears to do, but on an industry serving basis.
3 The ultimate winner is the consumer, not the LEC or the IXC.

4 Fifth, BellSouth mandates that CLECs interconnect at the Access Tandems in the
5 LATA. This contrary to the fact that all other Independent Telephone Companies
6 interconnect at their local tandems. MCI was not even aware that such tandems
7 (end-offices providing trunk-to-trunk connections) existed. This has caused a
8 problem in the Orlando, Florida area and has the potential of occurring in Georgia.
9 In Florida an Independent Telephone Company has denied us mutual traffic
10 exchange through the BellSouth tandem because we were at different tandems and
11 their interconnections agreement would not permit their connection to the access
12 tandem. While this may have been an oversight on BellSouth's part, in Georgia it
13 resulted in traffic being blocked because the translations to impliment this new
14 network were not properly made by the BellSouth technician. If CLEC's such as
15 MCI are to be made to transit a totally different network, this network should be
16 made robust enough to handle this form of traffic transfer. Typically it takes years
17 to normalize the traffic flow on new trunk groups and BellSouth prior history with
18 the establishment of the Common Trunk Groups to the Access tandem suggest this
19 will be the case here. In fact, it was well into the nineties before BellSouth was
20 able to provide adequate service to Interexchange Carrier customers.

1 The above is merely intended to show that BellSouth may not live up (by design or
2 otherwise) to its many promises in the SGAT and elsewhere. The Commission
3 should not endorse BellSouth's entry into long distance until BellSouth has taken
4 concrete action to fully implement its commitments.

5 Q. ARE THERE ANY REMARKS THAT YOU WOULD LIKE TO MAKE IN
6 CONCLUSION?

7 A. Yes. The Commission faces a weighty responsibility in determining whether
8 BellSouth's SGAT complies with the competitive checklist and the other
9 requirements of the Telecommunications Act of 1996. My testimony has focused
10 on some of the key components of local telephone service competition, including
11 the operations support systems in place to sustain competition, the ways in which
12 the SGAT falls short of the checklist's standards, and some anecdotal but
13 nevertheless worrisome evidence of BellSouth's hesitance to permit full and fair
14 competition. My conclusion is that, while BellSouth has made significant progress
15 in the direction of open competition, it has not successfully met all of the Act's
16 requirements, especially those concerning OSS interfaces and non-network
17 checklist items. With respect to the OSS systems, it is important to note that the
18 Long Distance market they seek to enter currently enjoys EB OSS systems for
19 maintenance/repair and instantaneous PIC and will impliment EB for Access
20 Service Requests (ASRs) in 1997. As such, the market BellSouth seeks to enter is

1 fully automated, or soon will be, while the local marketplace could be encumbered
2 for years with outdated manual processes

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A.** Yes. I hope my testimony will prove useful to the Commission, and I thank the
5 Commission for its attention to my comments.